

CALIFORNIA GAMBLING CONTROL COMMISSION
2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833

October 9, 2007

**NOTICE OF MODIFICATIONS TO TEXT
OF PROPOSED REGULATIONS**
(15-Day Changes)

Pursuant to the requirements of Government Code section 11346.8(c) and Title 1, California Code of Regulations, section 44, the California Gambling Control Commission (Commission) is providing notice of changes made to the proposed regulations concerning the two-year licensing of gambling establishments and key employees.

If you have any comments concerning the changes proposed in this 15-day notice, please submit them in writing between Tuesday, October 9 and Thursday, October 25, 2007. All comments must be received at the Commission no later than 5 p.m., Thursday, October 25, 2007. If mailed, comments should be directed to the following primary contact person:

Herb Bolz, Senior Legal Counsel
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833-4231

Comments may be sent by fax to Herb Bolz at (916) 263-0452 or emailed to hbolz@cgcc.ca.gov. If you comment by email or fax, we suggest that you phone Herb Bolz at (916) 263-1490 to confirm that the comment has been received. Questions concerning the substance of the proposed regulations should be directed to Herb Bolz at (916) 263-1490.

The backup contact person for this proposed regulation package has been changed to:

Donna Nicolaus
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833-4231

Telephone: (916) 263-0700
Fax: (916) 263-0452
E-mail: Dnicolaus@cgcc.ca.gov

All written comments received by 5 p.m., Thursday, October 25, 2007, which pertain to the indicated changes will be summarized and responded to by the Commission in the Final Statement of Reasons.

Background:

A public hearing was held on August 23, 2007, to provide a forum for public input and recommendations concerning the proposed regulations as originally noticed on July 6, 2007. The enclosed draft of the regulations contains changes to the text and forms as a result of both public comments and further review by staff from the Commission and the Division of Gambling Control (Division). In the text and forms as originally noticed, changes to existing regulations were shown in single line strikeout/underline style. In this 15-day change document, changes are indicated by a double line strikeout for deletions and a double underline for additions.

The particulars of these 15-day changes are as follows:

A proposed definition of the term “Gambling Enterprise” has been deleted from section 12335(b). Further research by Commission and Division staff has resulted in a conclusion that a definition of the term in these regulations is not necessary at this time. The term itself has been deleted from proposed section 12340(a).

As a result of public comments, these changes would modify the wording of section 12340(a) to be more specific about the type of license required. The amended subsection (a) would require a gambling license for those conducting a gambling operation; and the new subsection (b) would require a key employee license for key employees of a gambling operation. As a result, subsection (a) would apply only to gambling licenses and the new subsection (b) only to key employee licenses. Accordingly, subsection (b), as originally proposed, would be relettered to subsection (c).

As a result of public comments, these changes would amend section 12340(b) to change the word “issued” to “valid” when describing the term of

a state gambling license and key employee license. As stated above, this subsection (b) would also be relettered to subsection (c) to accommodate the rephrasing of the required license types.

As a result of public comments, these changes would modify the wording of the new section 12357(a) by replacing the words “in use” with “authorized by the license”. This change will help to better describe the number of tables when calculating table fees. This change would also align the wording of this section with that of Business and Professions Code section 19951(c).

As a result of public comments, these changes would modify the wording of section 12357 by requiring that the annual payment of table fees be made 120 calendar days following the end of the licensee’s fiscal year. These regulations originally proposed that these fees be paid on a calendar year basis. As a result, proposed subsections (a) and (b) of section 12357 have also been amended accordingly, and the originally proposed subsection (c) has been deleted. Likewise, these changes would delete proposed amendments to sections 12400(b)(4) and section 12403(b), leaving the submission of financial statements on a fiscal year basis also. These changes would still accomplish the original purpose of these proposed regulations, to align the schedule for the annual payment of table fees with the schedule for the submission of financial statements.

Amendments that had been proposed to section 12370 (Emergency evacuation) will not be pursued in this regulatory action. Additional substantive amendments should be made to section 12370, but this 15-day change proposal is not the appropriate vehicle for making these additional changes. These additional amendments should be the subject of a 45-day notice.

These changes would establish a new Commission form (CGCC-028) that will capture gambling establishment activity and revenue information. This form will help licensees calculate table fees that are paid to the Commission on an annual basis. Currently, license renewal form CGCC-030 is used to capture this information. Since these proposed regulations would establish a two-year license for gambling establishments, form CGCC-030 will only be submitted on a biennial basis. As a result, a new form is necessary to help licensees calculate annual table fees. These proposed 15-day changes would establish new form CGCC-028 (New 08/07) in the proposed section 12357(c). Likewise, these changes would delete Section 2b on form CGCC-

030 that captures this revenue information. Accordingly, the revision date for form CGCC-030 that is referenced in sections 12342(a)(1), 12343(a)(1), 12344(a)(1)(A), and 12345(a)(2) has also been changed.

As a result of public comments, these changes would delete that portion of Section 1 of Commission form CGCC-030 that pertains to trusts as a third license type, leaving only Owner Licensee and Endorsed Licensee as license types. “Trust” would be deleted by these changes as a separate third license type, because a trust will always be either an owner licensee or an endorsed licensee. As a result, conforming changes were also made to page one, section 3b, section 5 and section 7 of form CGCC-030. These conforming changes would help to clarify this issue involving trusts. Accordingly, the revision date for form CGCC-030 has also been revised, as stated above.

As a result of public comments, these changes would, in Section 3a of form CGCC-030, specify those cardroom employees that must be listed on an organizational chart as: “officers, shareholders, partners, members, etc. that are associated with the entity”. Accordingly, the revision date for form CGCC-030 has also been revised, as stated above.

As a result of public comments, these changes would reword the instructions for section 3b of form CGCC-030 to more specifically identify those entities/individuals that must be listed on the form. Section 3b has also been amended to further clarify the information requested in the “Compensation Arrangement” box. Accordingly, the revision date for form CGCC-030 has also been revised, as stated above.

For clarity purposes, other minor wording changes have been made to form CGCC-030 that are non-substantive, because they have the same meaning as originally proposed in the 45-day comment period.

These changes would reinstate those portions of Division form DGC-APP-015A that capture information about a gambling license applicant’s children, dependants, co-habitants, roommates, parents, step-parents and siblings (see Section 2 of form DGC-APP-015A). Although the Division has made every attempt to shorten and streamline its forms, further research by Division staff has resulted in the conclusion that this information is necessary in order to conduct an adequate background investigation of the applicant. Accordingly, the revision date for form DGC-APP-015A that is referenced in section 12342(a)(3) has also been changed. Since form DGC-APP-015A

is also noted within the text of Division form CGCC-030, its revision date as stated on that form has also been revised.

These changes would make minor edits to the proposed Section 8 of Division form DGC-APP-015B. This section of the form provides a list of those documents that a gambling license applicant may need to submit as part of the license application process. These changes clarify those documents that pertain to corporations, limited liability companies and partnerships. Accordingly, the revision date for form DGC-APP-015B that is referenced in section 12342(a)(4) has also been changed. Since form DGC-APP-015B is also noted within the text of Division form CGCC-030, its revision date as stated on that form has also been revised.

These changes would make edits to a question in Section 1 of Division form DGC-APP-016A. As originally proposed, this question asks if the key employee license applicant has any immediate family members who work in gaming related positions in the gaming facility for which the applicant is seeking employment. These changes would modify this question to read: “Do you have any family members currently working in any position in any gaming facility in California”. Further research by Division staff has determined that this information is necessary in order to conduct an adequate background investigation of the applicant. Accordingly, the revision date for form DGC-APP-016A that is referenced in section 12342(a)(6) and on Commission form CGCC-031 has also been changed. As a result of this change to form CGCC-031, its revision date has also been changed in sections 12342(a)(2), 12343(a)(1), 12344(a)(1)(B), and 12345(a)(2).

These changes would make a deletion to Section 8 of Division form DGC-APP-016A. As originally proposed, this section requests information about any business interests that an applicant may have as a result of “ownership in a tribal casino due to tribal membership”. Further research by Commission and Division staff has determined that a request for information relating to tribal membership is inappropriate in this license application. As a result, this statement has been deleted from Section 8 of form DGC-APP-016A.

These changes would reinstate portions of Sections 11 and 12 and all of Schedules A-K of Division form DGC-APP-016A. These reinstated sections of the form require the applicant to disclose specified asset and liability information. The original text of these regulations proposed that this information be deleted from the form. Although the Division has made every

attempt to shorten and streamline its forms, further research by Division staff has resulted in the conclusion that this information is necessary in order to conduct an adequate background investigation of the license applicant.

As a result of public comments, these changes would reword the instructions portion (page one and two) of proposed Division form DGC-APP-143. The new wording more accurately identifies those who must be licensed when a trust is involved with the ownership of a gambling establishment. For further clarification of the licensing requirements for trusts, these instructions would now also include a partial quotation from Business and Professions Code section 19852. The new wording would also better explain who must complete form DGC-APP-143. In section one of form DGC-APP-143, original boxes B) through J) have been edited to clarify the information requested. Section 2 of form DGC-APP-143 has been edited to include a distinction between a current and future beneficiary. Box D) of section 3 of form DGC-APP-143 has been edited to simply request the name, phone number, and e-mail address of a contact person for the applicant. Box E) of section 3 of form DGC-APP-143 has been edited to request the name of the person who prepares and files financial statements and tax forms only if applicable. This box has also been modified to better describe the types of duties requested. The instructions for section 4 of form DGC-APP-143 have been edited to drop the requirement that all of the requested documents be signed. Instead, only the trust document and amendments must be signed. In this same section, the list of requested documents has been clarified and the requirement that the applicant include charts identifying the organization and the flow of assets has been deleted. Accordingly, the revision date for form DGC-APP-143 that is referenced in section 12342(a)(8) has also been changed. Since form DGC-APP-143 is also noted within the text of Division form CGCC-030, its revision date as stated on that form has also been revised.

As a result of public comments, these changes would amend the authorization to release language on Division form DGC-APP. 006. Language has been added to paragraph 1 of this form that has the applicant acknowledge that the Department of Justice will investigate the applicant's background, and report its findings to the Commission. This new language in paragraph 1 also states that a complete copy of Business and Professions Code section 19828 is included on page 2 of the release form. Paragraph 2 of form DGC-006 has been amended to delete language that would waive the applicant's right to privacy. Language has also been added to paragraph 2

that provides more detail regarding the types of financial records that would be released. Finally, the hold harmless clause in paragraph 3 has been deleted. As a result, the remaining paragraphs on form DGC-APP. 006 have been renumbered. Accordingly, the revision date for form DGC-APP. 006 that is referenced in section 12342(a)(10) has also been changed. Conforming changes to the revision date for form DGC-APP. 006 have also been made to Division forms DGC-APP- 015A, 015B, 015C and 016A.

Copies of the text of the proposed changes and the changes to the forms incorporated by reference in the regulations will be available on the Commission's website, at www.cgcc.ca.gov, under "Laws and Regulations".